

OBSERVATIONS
ON THE
CREDIT AND FINANCES
OF
GREAT BRITAIN;

IN REPLY TO THE
THOUGHTS
OF THE
EARL OF LAUDERDALE,
AND THE
APPEAL OF MR. MORGAN.

BY DANIEL WAKEFIELD, ESQ.

LONDON:

PRINTED FOR F. AND C. RIVINGTON, ST. PAUL'S CHURCH-
YARD, AND WILLIAM RICHARDSON, CORNHILL.

1797.

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INTRODUCTION.

A WRITER *, high in the estimation of his party, has lately maintained the absolute necessity of a change of men and measures, in order to procure an immediate peace; the only event which, in his apprehension, can save the country from bankruptcy and ruin. Towards the conclusion of every war which this century has seen the country engaged in, similar lamentations have been made of the decay of our manufactures and the diminution of our commerce; similar arguments have been urged, differing only according to the particular circumstances of the case, why the ministry, under whose auspices the war was undertaken, and by whom it was conducted, should be dismissed, and their opponents be placed in their situation. A change of ministry has uniformly taken place, and as uniformly been followed by a peace, the ominous parent of another war. Nor is this at all to be wondered at; it is an effect which must ever be expected from

* Denis O'Brien, Esq. author of *Utrum Horum*.

peace being made by those men who have opposed the war ; for the opposition's coming into power, pledges them to procure an immediate peace ; this the enemy is aware of, and the terms of peace are not proportioned to the comparative strength of the two countries, nor to the success with which their arms have been attended, but to the eagerness with which the rulers of the one country are forced to procure a peace, and the platonic indifference with which the rulers of the other have the power to reject all but such terms of accommodation as procure the ends for which the war was undertaken : under these circumstances an honourable peace, indemnity for the past, and security for the future, is not to be expected. Yet how are we to know which party deserves blame ? The peace-makers urge in their justification, that the war was unjust, unnecessary, attended with disaster, and its continuance pregnant with ruin ; and that in this situation the peace which they have made is the best that could be procured. The war ministers on the contrary contend, that the war was just, necessary, successfully carried on, and in its continuance, till an honourable peace could have been procured, no serious cause for the alarms of any person existed ; as the resources of the country were in a far more flourishing condition than those of its enemies.

Both

Both defences are supported by the advocates of their respective parties, the nation is divided, its confidence in public men diminished, its interest in public affairs is turned into a gloomy and portentous apathy, and the guilty party escapes all censure. On the contrary, when peace is made by those who have begun and conducted the war, they are bound to procure an honourable peace. They have involved the country in a war, they have directed its efforts against the enemy, they have maintained that its arms have been successful and its navy victorious, and they are necessitated to terminate the contest honourably to procure the ends for which the war was undertaken, and to secure to the nation the blessings of a solid peace.

Two publications have however lately appeared, in which their authors have endeavoured to prove the resources of their country to be exhausted, its credit destroyed, and that therefore an immediate peace is no longer an event merely to be desired, but a measure of absolute and uncontrollable necessity. They have also stated, that the expenditure of the present war has been so enormous as loudly to call for the censure of the minister; while at the same time his financial arrangements have been so destructive that, proving his incapacity, they demand his dismissal from power. Totally differing in opi-

tion from these gentlemen, I was induced, from the seriousness of their charges, the respectability of their talents, and the publicity of their names, to undertake an enquiry into the real state of the revenue of the country, the amount of the expence of the war, and the terms on which money has been procured, and it is with satisfaction I have the pleasure of laying so favourable an account of the strength of my country, and the integrity and ability of its minister, before the public.

Two public actions have however lately appeared, in which their authors have endeavoured to prove the resources of their country to be exhausted, its credit destroyed, and that therefore an immediate peace is no longer an event merely to be desired, but a measure of absolute and uncontrollable necessity. They have also stated, that the expenditure of the present war has been to the amount of twenty millions, and that the financial minister, who is charged with the management of the war, has demanded his dis-
OBSER-

OBSERVATIONS, &c:

SECTION I.

ON THE EXPENCES OF THE WAR.

THOUGH there is no ratio by which the expence of after-wars can be ascertained, or by which former ones can be compared, yet it is certain, that every war exceeds its predecessor in expence. This additional charge has been, by many modern writers, unjustly attributed to the influence which the funding system has upon the price of commodities, when it should be rather assigned to the advancement of society. Review the history of nations now no more, examine their gradual progress in the arts and luxuries of life, and it will be invariably found, that in proportion as commerce has increased, and manufactures multiplied, as civili-

zation, refinement and luxury have approached their *ne plus ultra*, that the necessaries of life have advanced in price. ~~It would be irrelevant~~ to the purpose of this work, and too long for the limits assigned it, to enter into an enquiry of the causes of this effect; it is sufficient for my purpose, that the fact is indisputable; it is sufficient for me to know, that from the earliest periods of British history, the price of every necessary of life has been gradually advancing, and that the funding system has not peculiarly contributed to accelerate increase. 'The revenue of England,' says Sinclair *, 'at the accession of the house of Stuart, was about £.500,000; eighty-six years after, when James the Second was expelled, it was raised to about two millions, the annual increment was, consequently, about £.17,441; at the same rate of increase the revenue, *anno* 1774, should have been three millions and an half; and, with the addition of Scotland, about four millions annually.' The peace establishment at that time did not much exceed four millions; a fact which proves the deprecated evils of a national debt to be more in idea than reality. With what propriety then can my lord Lauderdale and Mr. Morgan compare the expences of the present war with that of queen Anne? Those

* History of the revenue of the British empire, by Sir John Sinclair, bart.

of George II. and the American war? when the experience of every house-keeper proves, that three hundred a year now will scarcely go as far as two hundred a year twenty years ago, when it is known that an hundred a year at the revolution would support an establishment as large as five hundred a year now. It is unreasonable to suppose, that the expences of government alone should stand still; but the manner in which the publick money has been expended, excites the indignation of Mr. Morgan, and the amount of the unestimated expences call forth his severest censure. 'The last year exhibits,' says this gentleman, 'for the *first* * time in the annals of this country, by a far greater expenditure without than with the previous consent of parliament.' Deprived, by the death of an highly valued friend †, of the channel through which I have been accustomed to procure copies of such publick papers as I stood in need of, I am not able to examine the accuracy of Mr. Morgan's table of unestimated expences; though, were I to judge of his other statements by his

* In Mr. Hatfel's Precedents of Proceedings in the House of Commons, the unestimated expences are stated as exceeding the estimated in the year 1782—vol. iii. p. 154; but the expences of that year he very prudently passed over in silence.

† Robert Barclay, esq; representative for Kincardineshire, who died last week, lamented by all who had the pleasure of his acquaintance.

extraordinaries of 1796, I should be inclined to doubt the *data* on which he has grounded his censures. The unestimated expence of the army for the last year, is stated by him at £.7,874,646, and the report of the select committee makes them no more than £.5,374,646 *, the difference being more than two millions; and of this sum £.1,350,000 was voted by the house of commons, in order to meet the service of the year, leaving therefore only £.4,074,646 unprovided for, or, in Mr. Morgan's words, 'expended without consent of parliament:' but this is a very unfair statement of the case; parliament, it is true, does not previously vote the sums which compose this expenditure, because it is impossible to foresee what services will occasion this extraordinary expence, and because, if the service could be foreseen, no *data* could be taken on which to form an estimate of their cost; but, at the conclusion of the year, an account, containing the particulars of the extraordinaries incurred, is delivered to the house for the inspection of its members, who are as much at liberty to reject any article they may think improper, or to reduce the amount of any charge they may think exorbitant, as to refuse their consent to the terms of a loan for which the minister may have contracted; the debt is incurred on the

* Report of the committee, appendix D 7.

responsibility of the minister, and at the risk of the creditor; if the house of commons disapproves of it, the one is liable to their censure, the other to the loss of his demand; and therefore it is unfair to assume, that this branch of the publick expenditure is not under the controul of parliament.

Mr. Morgan has, however, considered extraordinary as a new and a modern encroachment on the privileges of the house of commons. Though I have already proved unestimated and unprovided expences approved of by parliament to be neither illegal nor unconstitutional, I shall, before I dismiss the subject, notice an inconsistency in the invectives of Mr. Morgan, who asserts, that last year was the *first* * in the annals of the country in which the unestimated exceeded the estimated expences. The error which I have exposed, in the amount of his army extraordinary, which he makes nearly eight when really they were but little more than four millions, destroys the truth of his assertion; but I would remark, that even according to Mr. Morgan's tables, the ordnance unestimated have *always*, in former wars, *exceeded* the estimated expences, and that the year 1793 was distinguished by the unestimated expences of the ordnance being less than the estimated. The

* See note c, page 7.

very nature of the service, however, precludes that accuracy in the estimates which would prevent their excess.

Lord Lauderdale has asserted, the money raised last year to amount to upwards of sixty millions, and thus states the particulars.

7 December, 1795, loan	£.18,000,000
18 April, 1796, loan	- 7,500,000
April, 1796, funding navy bills	4,414,074
October, 1796, funding navy and exchequer bills	- - 13,737,022
7 December, 1796, loan	- 18,000,000
	*£.61,651,096

When his lordship can prove, that funding navy bills is raising money, and that contracting for a loan is the payment of it, I will acknowledge, that the last year is distinguished by the unprecedented amount of the money raised in it; but if funding navy bills is not raising money †, and if the contracting for is not the

* Mr. Morgan states the money raised in the year 1796 at more than £.44,000,000; this computation is, however, equally erroneous with that of lord Lauderdale's, as in it is included all the bills funded in April and October, and no allowance made for the difference between the navy debt on 31 December, 1795, and 31 December, 1796.

† The money is received when the bills are issued, not when they are funded.

payment

payment of a loan *, I must beg leave to dissent from the above statement, which I would correct by totally excluding the

£.4,414,074 † of bills funded in April, but issued prior to December, 1795.

2,820,042 of bills funded in October, but issued prior to December, 1795.

2,141,470 overcharge on the amount of bills funded in October.

18,000,000, being the whole of the loyalty loan, and

* It should be recollected, that a loan is paid by instalments, and not at the time of contracting for it, as his lordship assumes. The better to illustrate this, the following table of the instalments of the loyalty loan is inserted, as on it greatly hinges the arguments I have urged against his statement.

13 Jan.	£.1,800,000,	being the 1st instalment paid.
17 Mar.	1,800,000,	ditto 2d ditto
21 April,	1,800,000,	ditto 3d ditto
2 June,	1,800,000,	ditto 4th ditto
21 July,	2,700,000,	ditto 5th ditto
25 Aug.	2,700,000,	ditto 6th ditto
28 Sept.	2,700,000,	ditto 7th ditto
31 Oct.	2,700,000,	ditto 8th ditto

£.18,000,000

† His lordship has erroneously stated the amount of the stock created, instead of the amount of bills funded, which was £.4,226,796.

8,058,238,

£.8,058,238 *, being the difference between the unfunded debt December, 1795, and December, 1796, including the amount of bills paid in April.

Thus corrected, the account will be as follows :

7 December, 1795, loan	£ 18,000,000
18 April, 1796, loan	- 7,500,000
October, 1796, funding navy bills, after deducting as above	<u>717,272</u>
	£.26,217,272

The noble earl, in the beginning of his pamphlet, very justly regrets the indifference with which the publick read the financial publications of the day; this indifference seems to arise from the subject being understood by few, and the little confidence which the world imagines they can repose in the statements of party writers; and it is rather curious to see the intentional misrepresentations of his lordship, thus adding to the distrust he laments, and checking the interest which the publick would otherwise feel on

* The unfunded debt, December 1795, was £.12,507,115
Ditto December 1796, was 4,948,877

Add bills paid in April, - 7,558,238
500,000

£.8,058,238

the

the subject; for when two statements are made; differing upwards of thirty-four millions, no trifling sum in the amount of an year's expenditure, those who are ignorant of finance, or who have not leisure to examine the truth, naturally throw aside works which thus bewilder instead of informing them, and declare finance to be a subject too abstruse for the generality to understand; a stupid indifference to the financial occurrences of the day succeeds; and while private adventurers can gainfully speculate in the public securities, all regard to the true state of the national finances is forgotten.

SECTION II.

ON THE NAVY DEBT.

IN all former wars, it has been the practice to allow the debt of the navy to accumulate at an exorbitant discount; nor was the monied market relieved from the burthen till after the commencement of the peace; by this means the expence of the war was kept concealed, the amount of the national incumbrances were not known, and the country was led to the very
brink

brink of ruin before it was aware of the smallest danger. Mr. Pitt spurned this delusive system, and has made it the boast of his administration, that the publick have had annually laid before them the amount of the extraordinary expences of every department; in the course of four years of war, the navy debt has four times been funded, the publick have four times been enabled, accurately, to estimate the expences they have incurred, and the monied market has four times been relieved of these floating, or rather sinking securities. In the seven years of the American war, the navy bills were never once brought to account; and, at the conclusion of that war, they had accumulated to the enormous sum of twenty-seven millions *, at the unheard of discount of 20 per cent. So low had this impolitic conduct brought the publick credit, that the year following, exchequer bills were issued at a discount of one-and-twenty per cent. yet these are times compared by the earl of Lauderdale and Mr. Morgan with the present, and to which a preference is given. The profit made on navy bills varies so continually, is dependant on so many contingent circumstances, is so unconnected with the interest paid by the publick, that there is no one species of the publick securities in which an able calculator

* The exact sum was £.26,867,993 !

can more successfully speculate, and on which the fancy of a finance writer has so much room to display itself. In the extravagant calculations on the terms granted to the holders of the navy bills, funded in October, which lord Lauderdale has purloined from the speech of Mr. Fox*, on the 31st of that month, advantage is fully taken of the latitude which these varying circumstances allow; an extreme case is supposed, in which the holders of the navy bills buy and sell at certain critical moments, the stock remaining stationary†; and the profit of the holder of a navy bill is, by a sort of magic, made to amount to one hundred and thirty-five pounds per cent. per annum.

—Though I shall neither trouble myself, nor fatigue my reader, with pursuing all the mazes of this intricate labyrinth, I shall enter into a short calculation, to shew the real profit which the holder of a navy bill, purchased at the average discount of six and an half per cent. would have made, had he, on the 12th of this month, converted his stock into money.

* See Mr. Fox's speech on Monday, 31st of October, in Woodfall's Reports, vol. i. of the year 1797, page 150-7.

† In a note, lord Lauderdale acknowledges that £135 per cent. would have been the profit, if the funds had not fallen; but notwithstanding this, he calculates on their supposed rise, instead of their actual fall.

STATEMENT of the profit made on a navy bill, bought on 1st May, 1796, supposing it to be funded agreeable to act of parliament in the 5 per cents. * at 85, and on 14 April, 1797, converted into money.

Interest on £.100 for 226 days, at 4 }
per cent. being from 1 May to 12 } 2 9 6
December, 1796. - - - - -

Premium of 3 per cent. on each £.100 }
stock, in 5 per cents. valued at 88. } 3 10 7

Discount of $6\frac{1}{4}$ per cent. - - - - - 6 10 0

Interest on £.117 13 for 124 days, }
at 5 per cent. being from 12 Dec. } 2 0 0
1796, to 14 April, 1797. - - - - -

14 10 14

Deduct 10 per cent. on £.117 13 }
being the difference between the }
price of 5 per cent. stock on 14 } 11 15 3
April, and the price at which it was }
taken on 12 December, 1796. - - - - -

2 14 10

For 350 days, on £.93 10 the money advanced
is £.2 17 2 per annum, and at the rate of
£.3 1 1 per cent. per annum on £.100.

* Had the calculation been made on a supposition of the bill being invested in the 3 per cent. stock, the result would have been still more favourable to my argument.

I am

STATE

I am aware that I shall be told that this is an account of the profit made on a navy bill bought and sold at an assumed time, true; but so is also the case stated by Mr. Fox, and which my Lord Lauderdale has published as his own; and my statement has so far the advantage of that of Mr. Fox, that the time I have assumed takes the average discount of *all* the navy bills which were then funded, and calculates the profit down to the present day; whereas his statement takes the extreme case of the highest discount at which navy bills were ever issued, and adds the capital created and the discount allowed to the interest, in order to produce the imaginary interest of 135 per cent.

Mr. Morgan, it is true, calculates the interest at only £. 10 8 per cent. and thinks it necessary to observe, that this 'is not, strictly speaking, the proper method of computing the discount;' and his lordship, sensible of therodomontade in which he has indulged, very properly concludes by saying that this 'loss does not deserve attention;' though the management of the business 'creates the strongest impression of the incapacity of those by whom it was conducted.' And why? Why because it was left to the holder of the bill to choose the stock in which it should be funded. Before allowing the remark to be just, it will be necessary to remember, that though the choice of the stock was left to the public

creditor, yet that the interest was so proportioned that an increase of interest should compensate a decrease of capital, and *vice versa*, a decrease of interest be compensated by an increase of capital. It should also be recollected, that had the whole amount of the bills been funded as usual in the five per cents. so large an increase to so small a stock would have depreciated it in the most ruinous manner, and thereby have occasioned a real and considerable loss to the public : but by this method of leaving the choice of the stock to the holders of the bills, the sums funded were proportioned to the amount and fluctuation of each stock, and the interest of the public preserved, and the advantage of the individuals holding the bills, the individuals possessing stock, and the nation, which had issued the bills, was consulted.

Having completed these passing observations on the extravagant and delusive calculations of Lord Lauderdale and Mr. Morgan, I shall conclude by giving a short and clear account of the amount and terms of navy bills funded during the present contest.

In 1794, — £.1,208,848 of navy bills,
611,944 of victualling bills,
and 86,659 of transport bills,

forming a total of 1,907,451 was funded at the rate

rate of £. 101 five per cent. stock for every £. 100 in bills; by which a capital was created of £. 1,926,525; the annual interest and charges of management being £. 97,193 4s. 3d.

In 1795, — £. 765,027 of navy bills,
 628,603 of victualling bills,
 and 97,017 of transport bills,

forming a total of 1,490,647 was funded at the rate of £. 108 five per cent. stock for every £. 100 in bills, by which a capital was created of £. 1,609,897; the annual interest and charges of management being £. 81,219 6 11.

In April, 1796, £. 1,386,385 of navy bills,
 1,537,302 of victualling bills,
 and 803,109 of transport bills,

forming a total of 4,226,796 was funded in two classes; the first class at the rate of £. 104, and the second class at the rate of £. 105 five per cent. stock for every £. 100 in bills; by which a capital was created of £. 4,414,074, the annual interest and charges of management being £. 222,690 0 10.

In October, 1796, £. 11,595,529 of navy, victualling, and transport bills were funded in four classes; the terms of funding in each class and other particulars are contained in the following

STATEMENT

Of the terms on which the navy, victualling, and transport bills were funded in October; as divided into classes, with the amount of bills funded in each class.

1st CLASS, containing bills issued in Oct. Nov. and Dec. 1795,	amounting to 2,820,042 were funded in	5 per cents. at 84 4 ——— 72 3 ——— 56
2d CLASS, containing bills issued in Jan. Feb. Mar. and Apr. 1796,	amounting to 3,741,083 were funded in	5 per cents. at 84½ 4 ——— 72½ 3 ——— 56½
3d CLASS, containing bills issued in May, June, and July, 1796,	amounting to 2,458,042 were funded in	5 per cents. at 85 4 ——— 73 3 ——— 57
4th CLASS, containing bills issued in Aug. Sept. and Oct. 1796,	amounting to 2,576,362 were funded in	5 per cents. at 85½ 4 ——— 73½ 3 ——— 57½

£. 11,595,529

On these bills then was about two hundred and seventy thousand pounds of interest due, and the operation of funding them created

£. 16,426,797 of 3 per cent. stock,
754,312 of 4 per cent. stock, and
2,020,332 of 5 per cent. stock, the annual
interest and charges of management amounting
to £. 632,633 II.

But in order to form an accurate judgment of the progress of funding navy bills, it will be requisite to bring under one view these four different transactions, which the following statement will render perfectly clear.

Amount

	Amount of bills funded.		Amount of stock created.		Annual charge incurred.
1794,	— £. 1,907,451	—	1,926,525	—	97,193
1795,	— 1,490,647	—	1,609,897	—	81,219
1796,	— 4,226,796	—	4,414,074	—	222,690
			2,020,332	—	101,925
1796,	— 11,595,529	—	754,312	—	30,512
			16,426,797	—	500,196

Total annual charge incurred by funding }
 navy bills during the war, - - - } £. 1,033,235

At the conclusion of the American war, Mr. Pitt, who, fortunately for the country, had just come into power, was obliged to fund more than sixteen millions * of navy bills, and to leave floating on the market upwards of ten millions of unfunded debt; and though peace had been concluded, though all men looked forward with confidence to his exertions for the restoration of credit, and the revival of commerce, yet so ruinous were the effects of that system, so destructive to the public interests was that accumulation of unfunded securities, that they were at a discount of 21 per cent. whereas, when the navy bills were funded in last October, the average discount for the year had been no more than 6½ per cent. The prejudices and the views of party can then alone censure a regulation which has so essentially benefited the country, and added such stability to its credit.

* The exact sum was £. 16,315,324.

SECTION III.

ON THE LOANS OF THE WAR.

PERHAPS none of the measures of Mr. Pitt entitle him to so much credit as an able financier as the terms on which he has raised money for the public service; and without entering into a comparison with those times when 7 and 8 per cent. was the usual interest given the subscribers to loans of the most trifling amount, I shall content myself with comparing the interest of the loans made during the present with the American war, which will be found to average near one per cent. less during the present than during that war. Seventy-five millions and an half was received in subscriptions to loans from the year 1776 to 1784, which year terminated the expences of the contest, and for which was given the average rate of interest of £.5 10 3 per cent.; during the present war seventy-seven millions have been raised by loan at the the average interest of only £.4 11 2 per cent. being £.0 19 1 per cent. less than what was given during the American war. The highest interest during the American war

war was £.6 12 * per cent.; the highest permanent interest during the present war is only £.4 16 2 † per cent.; the highest interest given during this war being £.1 15 10 per cent. under the highest given by Lord North; and the lowest interest on the loans of that war was £.4 14 6 per cent.; whereas the lowest given during the present contest is no more than £.4 3 4 per cent. which is £.0 11 2 per cent. less than the lowest of the American war. Thus in a war represented as unparalleled for its extravagance, thus under an administration reprobated for the incapacity of its premier, money has been raised at £.0 19 1 per cent. less average interest, and the highest interest given only £.0 1 8 per cent. more than the lowest given during the American contest.

But as my Lord Lauderdale and Mr. Morgan have omitted to consider the first loans of the present war, and discussed only the merits (in their apprehension the demerits) of the last or loyalty loan, it will be necessary to examine its terms, and if possible to shew how ill grounded is their censure. And first I would observe the

* In reckoning the interest on the loans of the American war the lottery must be included, which, under the better management of Mr. Pitt, is applied to the public service.

† The permanent interest of the loyalty loan of this year only is included, and the bonus of £.1 2 6 is left out of the account; for an explanation of which see forward.

fallacy

fallacy of his lordship's assertion, that a loan draws its amount from commerce; and next I would contend, that a subscription in proportion to the assessed taxes paid, would consist of the revenue, instead of the capital of the country, and from thence deducing a very opposite conclusion to that of his lordship's. It should be remembered that every loan is paid by installments, and that the first is usually spent before the second or at most the third is paid; therefore a loan of eighteen millions engages but one million eight hundred thousand pounds of the floating money of the commercial interest; money which otherwise would be employed, not in commerce, but in destructive speculations in the funds. But his lordship has argued on the idea that the whole eighteen millions is paid at one time, and never returns again into circulation; whereas, on the contrary, one million eight hundred thousand pounds only is paid at a time, and is returned into circulation ten different times in the course of the year; for this reason I should conclude that the revenue rather than the capital of the country was employed in paying installments on subscriptions to a loan; and am of opinion that instead of deranging a capital producing the highest rate of profit, a loan in proportion to the assessed taxes paid would engage only a revenue to the amount of eighteen

hundred thousand pounds *; leaving, however, the sophistry of his statement to the examination and refutation of those who have more time than myself for such employment, I will return to the consideration of the terms of the loyalty loan; for every £. 100 subscription of which £. 112 10 5 per cent. stock was given; subject, however, to the contingency of being paid off three years after the signing of a definitive treaty of peace, in either money or 3 per cent. stock, taken at 75 †. If we compare the terms on which money was borrowed in 1784, two years after the disastrous conclusion of the American war, or reflect on the interest of the first loan of the present war ‡, we shall equally rest satisfied; that three years after the conclusion of the present contest, a loan could be negociated for in the 3 per cents. at an interest of not more than £. 4 10; it is not therefore too favourable an assumption to suppose that the loyalty loan,

* See the subject discussed at length in the Marquis de Cassaux *Considérations sur les effets de l'impôt.*

† Mr. Morgan has asserted, that while the creditor is guarded against being paid off at an higher price than 75, the public are left to his mercy, and are under the necessity of paying him off at any price however low; but he is either to be paid in money, raised of course by a loan, or with 3 per cents. at 75, and not with 3 per cents. at any price.

‡ £. 4 3 4 was the interest on the loan of 1793, raised wholly in the 3 per cents.

whether

whether paid off in the 3 per cents at 75, or with money raised in 3 per cent. stock, at an interest of £.4 10, will equally be converted into £.150, 3 per cents. for every £.112 10 of five per cent. stock, by which the rate of interest will be reduced from £.5 12 6 to £.4 10 per cent. The loyalty loan should therefore be considered as having been raised at an interest of £.4 10, with a bonus of £.1 2 6 per annum, during the continuance, and for three years after the conclusion of the war; and, thus viewed, it will merit and meet with the approbation of the country.*

The prodigious discount of £.15 per cent. at which it has been, proves the light in which the monied interest consider it. They are not to be amused with the fanciful and extravagant calculations of either lord Lauderdale or Mr. Morgan. Experience teaches them the fallacy of such statements; for they estimate the *real* value of a loan, which affords no higher permanent interest than £.4 10, and is only rendered marketable at all by its bonus of £.1 2 6 per cent. but in proportion as the terms are bad for the subscribers, they are good for the publick; and there is no better rule to appreciate the terms of a loan by than the discount which it bears.

* It is very proper here to remark, that at the time of raising the loyalty loan, 6 per cent. was made by investments of money in the publick funds.

Thus,

Thus, in whatever way it is considered, whether as a redeemable annuity of £.4 10, with a contingent bonus of £.1 2 6 per annum, or as a loan of £.15 per cent. discount, it will equally appear advantageous to the publick; it will equally display the financial abilities of the minister, and the distinguished patriotism of the country, which, in three days, when the resources of the state were thought to be exhausted, when the enemies of Britain were haughtily rejecting all terms of accommodation, on the supposition of the depreciation of our credit, and the impossibility of raising the supplies for the services of the year, eagerly subscribed a loan for such an amount, and on such advantageous terms.

Lord Lauderdale and Mr. Morgan, besides reprobating the terms of the loan, have disclaimed, with their accustomed violence, against the letter of Mr. Pitt to the Bank Directors, and after torturing its expressions in the most unwarrantable manner, have asserted, that it was his intention to make a forced loan, and to imitate the wild and destructive requisitions of the mobile government of France. Surely, these gentlemen cannot conceive it to be either an unconstitutional, or a tyrannic measure, for a British house of commons, the representatives of the people, to impose a tax proportioned to the property of each individual, on the amount
of

of which an equitable interest would be allowed. Who is there, I would ask, who has madly called in question the right, both in law and in equity, of a representative body to tax their constituents: certainly the allowance of an interest on the amount of such tax, neither violates the rights, nor increases the burthens of the taxed. On practice it might prove the most advantageous method of raising the supplies; and the only impediment seems to be, the difficulty of ascertaining the proportion which each person should pay. Perhaps it may be urged, that it would be a burthen on individuals, to whom the publick would not allow the profit which it is forced to give when negotiating a loan in the usual manner: true, but it should be recollected, that this mode of raising the supplies is resorted to for the very purpose of enabling the nation to conduct, with energy and success, and to conclude, with honour and advantage, a war, on which its prosperity, nay, its very existence, depends; and the loss sustained by such a loan should be considered in the light of a tax, which, though heavy at the immediate moment, prevents a greater accumulation of the publick burthens than the nation can bear consistently with its prosperity, and which, in after times, will be an ease to the community. Should such a plan be resorted to, the supplies for the service of the year might be raised without creating a
single

single pound of unnecessary capital, and at the most moderate interest the credit of the country would be established on the most stable and permanent basis, and Europe would at length be convinced, that the English nation, sacrificing individual interests in its ardour for the publick cause, will continue the war into which it has been forced, by the unjust aggressions of the French republick, till a permanent and an honourable peace can be procured. France at length will perceive, that the wild ambition which excites her to domineer over the rest of Europe, will be firmly resisted by a nation, which has, for these ten centuries, been accustomed to mortify her pride, and to restrict her acquisitions of territory: she will seriously reflect on her lost commerce, her ruined manufactures, and her exhausted resources, and will accede to such terms of peace as shall indemnify us for the expences of the war, and by preserving the balance of power of Europe, give us security for the future against her secret enmity, and her open violence.

SECTION

SECTION IV.

ON THE DEBTS CONTRACTED DURING
THE WAR.

BEFORE entering into an enquiry of the amount of the debts which have been contracted during the present contest, it will be necessary to make a few preliminary observations on the statements contained in the works this pamphlet is intended to reply to. The celebrated system of Mr. Pitt, and which, amidst all the difficulties of an expensive war, he has so firmly persevered in, converts all the debts of the nation into redeemable annuities for *forty* years, thus uniting the advantages of redeemable and irredeemable annuities, and opening the pleasing prospect to the nation of relief from the burthen of taxes, which the criminal ambition of its enemies have forced its government to impose; yet, in defiance of this circumstance, so honourable to the minister, so cheering to the nation, in defiance too of their own acknowledgments of it, when it suited their arguments, and enabled them to declaim against the measures of administration, the earl of Lauderdale and Mr. Morgan continually assert, every tax laid on during the

the war to be imposed for a perpetuity, and that every annuity granted will be a burthen on the state for ever. How consistent these repeated misrepresentations (to call them by no harsher name) are with their professions of 'wishing to state every thing in the most favourable point of view which truth would admit of,' I leave for these gentlemen to determine, and shall only further remark, the confusion which the confounding the one per cent. of the sinking fund with the interest and charges of management incurred by the sums borrowed during the war, creates in their accounts, and how false this error makes all their comparisons with former times. Thus lord Lauderdale, comparing the charge of the war with the charge of the debt in January, 1782, states the one at £.6,701,000, and the other at £.6,688,000, and makes the excess of the present war thirteen thousand pounds, whereas in truth the charge of the present war is only £.4,924,214, which make the charge of 1782 exceed that of the present war £.1,763,786; and even this is not a fair comparison, as in the year 1782 the charges of the American war were not brought to account, loans to the amount of £.18,000,000 being afterwards negotiated, besides an unfunded debt of £.27,000,000, in order to wind up the expences of that war. Mr. Morgan, with greater propriety,

C

makes

makes his comparison with the year 1791*,
 ‘ when all the arrears of the American war were
 ‘ either funded or discharged ;’ but even here
 the same error which falsified the comparison
 of lord Lauderdale prevails, and that to a greater
 extent, as besides including the charge of the
 sinking fund, he adds the amount of the Impe-
 rial loan, which, till he proves ‘ the surety to
 ‘ be the immediate debtor,’ cannot be reckoned,
 and a speculative charge of what he is pleased to
 call unprovided services, and sixteen millions
 also existing only in his own imagination, for
 the conclusive expences of the war, thus con-
 juring up the enormous sum of eight millions
 and an half. His coadjutor, in the task of mis-
 representing the measures, and abusing the con-
 duct of the minister, has allowed it to be only
 six millions and three quarters ; and fact shews
 it to be less than five millions.

* It would have been as well for Mr. Morgan if he would
 have mentioned a character for impartiality, when erroneously
 accusing the minister of adding ‘ nearly as much to the pub-
 ‘ lick burthens as all the ministers who have ever afflicted the
 ‘ country,’ to have at the same time mentioned, that nearly
 as much of the national debt has been paid off by Mr. Pitt
 only, as by all the other ministers who have administered the
 affairs of the country. According to sir John Sinclair,
 £.24,637,729 is the amount of the sums redeemed since the
 commencement of the funding system up to 1786, and since
 then to 1796, being only ten years, £.23,334,200 has been
 redeemed.

In

In a court of judicature, the prevarication and contradiction of witnesses, in any one particular, makes the whole of their testimony suspected; and why declamations on finance should be exempted from so wholesome a rule of construction, I am at a loss to determine. But though, to use the words of lord Lauderdale against himself and his friend, the charge of misrepresentation and contradictions from sinister motives, may be thought 'an harsh and a strong accusation, there are unfortunately' for them, 'many facts that might be stated as overt acts, if an indictment was to be drawn up against the parties for a conspiracy to *delude* and *deceive* the country.'

In the following account of the debts contracted during the war, I shall then omit the one per cent. sinking fund, which I conceive to be a charge totally unconnected with the interest and charges of management on these debts, as it is a sum appropriated to the discharge of, and not for the profit of the creditor, and also shall deduct the sums which have already been redeemed, by which means the reader will be enabled to form an accurate and true judgment of this part of the national incumbrances.

The enormous difference in our accounts arises from his having departed from the very mode of arrangement which he professed to confine himself to in his facts, where he disclaims all attempts to estimate the future by the past expenditure, and determines to adhere to facts only in his statement; but now, in contradiction to his avowed declarations, he assumes a prophetick power of prying into futurity, and includes, in his account of the expences of the war, debts existing only in his own imagination, but which he ventures to foretell must be contracted. As this exaggeration, however, is not sufficient to satisfy the discontents of disappointed ambition, he chuses to include, in the annual charge incurred by the war, the one per cent. addition to the sinking fund; but though this one per cent. fund is, at the present moment, a burthen on the publick revenue, yet, in a few years, it promises to lighten the weight, and to place Britain in a situation enviable beyond all comparifon; when free from debts and taxes, every energy of the country shall be exerted, every latent resource shall be used to increase the prosperity, add to the happiness, strengthen the power, and spread the fame of the British nation, whose patriotick exertions, at the present moment, big as it is with the fate of civilized society, shall be re-

corded by the astonished historian as an example to posterity *.

SECTION V.

ON THE SINKING FUND.

AS if the melancholy perspective of their country's ruin could alone afford them pleasure, the Earl of Lauderdale and Mr. Morgan have, while dilating on the increase of our debts and the addition to our taxes, carefully omitted all mention of the rapid accumulation of the sinking fund, and the certainty which it gives of the nation being freed of its debts and eased of its taxes in about forty years; they have carefully avoided to mention, that after the lapse of a few years, an hundred and twenty thousand pounds of the public revenue will be annually liberated †, and either the nation will yearly have its burthens

* When I reflect that £.1,403,537 is the amount of the sinking fund on this part of the debt alone; when I reflect that in thirty-seven years the whole will be redeemed, I flatter myself I am not too sanguine in drawing this pleasing conclusion.

† The sinking fund of 1786 is limited to four millions, after which time every purchase liberates the public revenue, lightened

lightened to this amount, or it will be appropriated to the discharge of its debts, and to accelerate the rapid operations of the sinking fund in promoting this desirable end. Silently has this fund been operating on the national debt, and promoting the end of its formation, even while, according to the bold but ill grounded assertions of Mr. Morgan, its existence was problematical *, it has burst as it were upon the public, and astonished by the account of a reduction of more than twenty-three millions of the national debt. Facts best reply to the delusive statements of party prejudice; experience best exposes the falseness of pretended prophecy; for at this moment, when the nation feared an acknowledgement of its resources being exhausted, and its credit being shaken, by the approach of inevitable bankruptcy, it has had the consoling assurance of the possession of an untouched resource of more than three millions, devoted to the discharge of its debts, a resource rapidly increasing and likely to become an im-

* Mr. Morgan, in his review of Dr. Price's writings, has endeavoured to prove a deficiency in the revenue, from the conclusion of the American to the beginning of the present war; thence grounding his assertion, that the establishment of a sinking fund was a criminal deception, to blind the eyes of the people. Mr. Vansittart, in his masterly reply to Mr. Morgan's facts, has exposed the errors in Mr. Morgan's statements of the deficiency of the revenue, and draws a widely different conclusion.

mediate as well as a future buoy, to support the burthens of the country.

As the minutiae of its operations are not generally known, the following account may not be unacceptable to the public; it is the best preventative that can be given against the despondency which the lamentations the country has of late been accustomed to is likely to produce.

STATEMENT

Of the sums redeemed by the operation of the annual million, the two hundred thousand pounds hitherto voted by parliament, the falling in of expired annuities, &c. constituting the sinking fund of 1786, up to the 1st of February, 1797.

Consolidated annuities 3 per cents.	£.10,532,095	—	315,963
Reduced annuities	—	5,105,442	— 153,163
Old South Sea annuities	—	2,167,500	— 65,025
New South Sea annuities	—	1,776,250	— 53,287
South Sea annuities of 1751	—	508,000	— 15,240
Total redeemed in three per cent. funds	} £.20,089,287 — 602,678		
Bank 4 per cent. annuities	-	507,000	— 20,280
£.20,596,287 — 622,958			

Thus it appears that the sinking fund established by the present minister in 1786, has redeemed a capital of upwards of twenty millions, the interest of which amounts to £.622,958; this is however not the whole sum now applicable

cable for this purpose, besides the annual million, as the fund consists of the following particulars.

Annual million	-	-	-	£. 1,000,000
Interest of capital stock redeemed	-			622,958
Sum hitherto voted by parliament	-			200,000
Expired annuities 1777	-	-	-	25,000
Expired and unclaimed life annuities				94,881

£. 1,942,839 is then

the sum applicable to the reduction of the national debt from the sinking fund of 1786; but it should be recollected that another fund has been formed by the minister to pay off the debts contracted during the present war, which has already redeemed £. 2,099,288, the interest of which amounts to £. 62,978; and the following statement will shew the particulars of which the 1 per cent. sinking fund is composed.

1 per cent. on the loan of 1793	-	-		£. 62,500
Ditto on the loan and navy bills of 1794				166,445
Ditto — ditto — 1795				268,933
1 Ditto — ditto — 1796				425,275
2 Ditto — ditto — 1796				418,257
Interest of capital stock redeemed	-	-		62,978
				£. 1,404,408

And since February there has been purchased £. 638,625, the interest of which is £. 19,158; however, to bring the state of the sinking fund under one view, the following abstract of the foregoing statements is given:

Sinking

Sinking fund of 1786	-	-	£.1,942,839
Since increased by further purchases	-	-	19,158
1 per cent. sinking fund	-	-	1,404,408
			£.3,366,405 *

In a former publication †, Mr. Morgan says, the sinking fund was established on a plan weak and inefficient; but weak and inefficient as it may be, the public have experienced its powerful operations; they have seen twenty-three millions (no very contemptible sum) of the national debt, by this weak and inefficient plan, paid off; they have seen it rapidly increase, till it has nearly three millions and an half to apply annually to the reduction of the national incumbrances, and they are now consoled with the speedy prospect of emancipation from debt; and all this has been done by the exertions of a man who, it is asserted, has brought the nation to the brink of bankruptcy, and entailed upon the country heavier perpetual burthens than any former minister. May not his friends ask for the proof of these assertions?

* The report of the Select Committee make it only £.3,359,799; differing from the above account £.6,606; which appears to arise from miscalculations of the dividends of the capital stock purchased, and the amount of life annuities expired and unclaimed. Appendix I, No. 1, differing from Appendix I, No. 2, on these heads.

† Additional Facts.

SECTION

SECTION VI.

ON THE PRESENT AMOUNT OF THE NATIONAL DEBT, AND THE PROBABLE PEACE ESTABLISHMENT.

IN the observations I have already made on the national finances, facts have forced me frequently to differ in my statements from those of the Earl of Lauderdale and Mr. Morgan, and in the account I am now going to give, a still greater difference is likely to arise; as Mr. Morgan not only confounds the sinking fund with the national debt, but includes the non-existing capital of the annuities, and retains in his account the whole of the sums purchased by the commissioners for redeeming the national debt; it will therefore be necessary to state first the amount of the debt contracted prior to 1793, existing at present, before proceeding further.

AMOUNT

AMOUNT OF the PRESENT EXISTING DEBT, contracted prior to 1793.

	STOCK REDEEMED.		STOCK EXISTING.	
	Capital.	Interest.	Capital.	Interest.
Exchequer annuities	—	225,678	—	130,797
South Sea stock and annuities	—	721,952	—	603,640
South Sea annuities, 1751	24,065,085	57,588	20,121,335	42,348
Bank stock	1,919,600	350,604	1,411,600	350,604
3 per cent. annuities, 1726	11,686,800	30,000	11,686,800	30,000
3 — — — — — consolidated	1,000,000	30,000	1,000,000	30,000
3 — — — — — reduced	107,399,696	3,221,991	96,867,601	2,906,028
3 — — — — — consolidated	41,540,074	1,246,202	36,434,632	1,093,039
4 — — — — — consolidated	32,750,000	1,310,000	32,243,000	1,289,720
5 — — — — — consolidated	17,869,993	893,500	17,869,993	893,500
Long annuities	—	704,740	—	704,740
Annuities of 1773 and 1779	—	404,331	—	404,331
Annuities of 1777	—	25,000	—	—
Short annuities	—	14,002	—	14,002
			£. 217,634,961	8,462,749

And

And the total amount of the funded debt at present existing, distinguishing the increase during the war, is,

Debt contracted prior to 1793 and now existing, (page 44)	} £.217,634,961 — 8,462,749
Charges of management on the above debt - -	} — — 120,278
Debt contracted since 1793, and now existing, (page 36)	} 128,566,608 — 4,790,281
Charges of management on the above debt - -	} — — 61,357
	£.346,201,569 — 13,434,665

Having thus stated the amount of the funded debt, which differs from Mr. Morgan's account forty millions in the capital, and two in the annual charge; arising, as I have before mentioned, from his including as *debt now owing* what has been *redeemed* by the sinking fund, capitalizing of the annuities, and blending with the interest the one per cent. appropriated for the discharge of the principal; I shall proceed to state the particulars and amount of the funded debt, and other outstandings unprovided for. In order, however, to ascertain how much of this charge has been occasioned by the war, and how much was contracted prior to it, I shall begin by stating the unfunded debt January, 1793, consisting of the following particulars:

Exchequer

Exchequer bills	-	-	-	£.5,500,000*
Exchequer bills, towards the public expences,	-	-	-	} 1,213,000†
Outstanding demands upon the treasury	-	-	-	} 685,936
Army services unprovided for	-	-	-	641,176
Ordnance ditto	-	-	-	81,025
Navy debt	-	-	-	3,344,397
				<u>£.11,465,534</u>

And shall now give the unfunded debt 1797, which consists of the following particulars :

Exchequer bills	-	-	£.4,365,200 *
Outstanding demands upon the treasury	-	-	} 472,157
Sundry treasury bills	-	-	2,088,469
Army services unprovided for	-	-	3,387,476
Barrack ditto	-	-	288,048
Ordnance ditto	-	-	4,610,246
Navy debt	-	-	4,610,246
Subsidies	-	-	91,174
			£.15,439,550

But from this sum must be deducted sundry monies advanced, and which are to be repaid, - - -

	12,917,050
Unfunded debt Jan. 1793	<u>11,465,534</u>

£.1,451,516 excess

of unfunded debt in 1797 over ditto in 1793.

* Exchequer bills issued in anticipation of the land and malt are omitted in both these accounts, as they are provided for on the receipt of those taxes.

† Taxes for the interest of this sum was provided, but the principal sum was unprovided for.

The

The national debt is then as follows :

Funded debt prior to 1793 and now existing,	}	£. 217,634,961—8,583,027
Unfunded ditto - -	-	11,465,534— 458,621*
Funded debt, contracted since 1793, and now existing - - -	}	128,566,608—4,851,638
Unfunded ditto - -	-	1,451,516— 58,061*
Total of the funded and unfunded debt, with its interest and charges of management - -	}	£. 359,118,619 13,951,347

The reader will be struck with the enormous difference between this and Mr. Morgan's account of the unfunded debt, it is therefore necessary to explain it by noticing that the existence of £.25,982,797 of his debt depends upon the accomplishment of certain of his prophecies ; and that one million in his account is a credit instead of a debit, and its insertion equals in fairness and candour the stating in his *facts* £.500,000 owing by the East-India company to government, as a debt contracted by the government ; this, together with his charging the navy debt higher in 1797 and less in 1793 than it really was, will pretty nearly account for the difference between us.

* On some of these securities 3, on others $3\frac{1}{2}$ and 4 per cent. and on the rest no interest is paid, though I have computed them all at 4 per cent.

But a still greater difference will exist in the account which I am now going to give of the future peace establishment, which is estimated by Lord Lauderdale at £.25,860,752, and by Mr. Morgan at £.25,986,687; doubt must indeed pervade the mind of the reader, when he hears it stated at only £.5,216,800, and I trust he will be led to examine the truth of accounts so contradictory. In the estimates of his lordship and Mr. Morgan the charges on the consolidated fund are included in the account of the expenditure; a form of stating the public expences I believe never before adopted. If my ancestors have involved themselves in debt, and entailed the burthen of its interest on my estate, I should not reckon the sums so applied as either a part of my income or of my expenditure, but as a contingency reducing the amount of the one, and wholly independent of the other; and should, therefore, were I called upon to give an estimate of my expences and receipts, give in an account of the surplus of revenue which these contingencies left me to receive, and of the money which I really expended on my establishment.

Estimating the receipt and expenditure of the country after this plain and equitable manner, I shall proceed first to state the receipt of the consolidated fund, the charge upon it, and the surplus applicable to the public expences. Taking
the

the taxes existing prior to 1791, at an average of four years, ending 1793 *, their produce will be

be	-	-	-	£.14,001,250†
Taxes of 1791, continued in 1793				232,633‡
Taxes of 1794	-	-		859,296 §
Taxes of 1795	-	-		1,373,000
Taxes of 1796	} as per estimate	{		1,592,000
Taxes of 1797				2,132,000
				£.20,190,179

* I have preferred taking my data from years of peace, to estimating the future peace revenue from the years of war, which my lord Lauderdale and Mr. Morgan have very unfairly done.

† Produce of taxes existing 1793 for 1790,

deducting the shop tax	-	-	£.14,072,000
Ditto	-	1791	14,239,000
Ditto	-	1792	14,412,000
Ditto	-	1793	13,942,000
			56,665,000

Deduct three years produce of taxes repealed 660,000

Average of four years	-	-	56,005,000
			14,001,250

‡ The produce of these taxes, in 1796, were considerably less than as above stated, occasioned by the stoppage of the distilleries; but making the most moderate allowance for the loss occasioned by this circumstance, they will produce £.232,633. Indeed, in the year 1794, they produced £.249,000.

§ The foregoing remark is applicable to these taxes also.

|| They produced this sum in the year 1795. There was a deficit in the year 1796, caused by the stoppage of the distilleries.

D

Having

Having thus calculated the produce of the consolidated fund, it is necessary next to state the charges to which it is subject, in order to ascertain the surplus applicable to the support of the peace establishment, which are,

1st, The interest and charges on	
the funded and unfunded debt	£.13,951,347
2d, Sinking fund of 1786	1,761,997
3d, One per cent. sinking fund	1,404,408
4th, Civil list	- - 900,000*
	£.18,017,752†

The produce of the consolidated	
fund then is	- - 20,190,179
The charges to which it is liable are	18,017,752

And the surplus applicable to the publick exigences is - £.2,172,427

And now it will be necessary to calculate the probable cost of the peace establishment; in order to ascertain which, I shall proceed to take the last peace establishment on a five year average :

* This sum was granted to his majesty in lieu of certain hereditary revenues, and feudal prerogatives, which he then parted with, and therefore comes under the description of appropriated revenues.

† I have not here included the £.200,000 annually voted by parliament to the sinking fund, as it wholly depends on their vote, and is not a necessary expence.

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		£.
The navy	in 1788 being	2,189,000
	1789 —	2,727,000
	1790 —	2,382,000
	1791 —	2,131,000
	1792 —	1,985,000, the average is 2,382,800

The army	in 1788 —	1,941,000
	1789 —	1,874,000
	1790 —	1,853,000
	1791 —	1,835,000
	1792 —	1,814,000, the average is 1,863,400

The ordnance	in 1788 —	466,000
	1789 —	512,200
	1790 —	510,000
	1791 —	443,000
	1792 —	422,000, the average is 470,600

and if £.600,000 is allowed for the increase	}	600,000
of the half pay and other lists, and mis-		
cellaneous charges, the - - -		

Peace establishment will be - - 5,216,800

But besides the free surplus of the consolidated fund of - - - } 2,172,427

There is the land and malt taxes, as estimated by the committee - - - } 2,558,000

Lottery - - - - 250,000

East-India payments - - - 500,000

Sum formerly provided for exchequer bills, now paid off - - - } 155,000

5,635,427

The peace establishment being only 5,216,800

The annual surplus is - - £.418,627

When, however, it is recollected, that in the five years preceding the present war, there were

extraordinary receipts, excluding the loans, for the armaments, to the amount of nearly four millions, it is justifiable to look forward to a still larger surplus than the one I have stated; and thus, after a war the most important and extensive of any this country ever engaged in; thus, at the conclusion of a contest distinguished for its naval victories, and its large acquisitions of foreign territory, the country has to anticipate a surplus revenue of four hundred thousand pounds, while the government of its enemy is bankrupt, its commerce lost, and its manufactures annihilated, this statement of our situation will afford no pleasure to the enemies of Britain; to those men whom the paltry views of party, the rancour of disappointment, or a jealousy of the minister, would lead to wish her in a disastrous state; to such as these, the desponding gloomy apprehensions of lord Lauderdale and Mr. Morgan; to such as these, the conclusion they have drawn of a probable deficit, sufficiently large to overturn the government of the country, and to involve it in anarchy and ruin, will afford more satisfaction; but to the real friend of his country, to him who feels interested in its welfare, anxious for its prosperity, and jealous of its fame, independently of all party views, such a prospect is matter for high exultation.

SECTION VII.

ON THE PRESENT STATE OF PUBLICK
CREDIT, AND THE AFFAIRS OF THE
BANK OF ENGLAND.

IN the preceding divisions of these observations, the reader will have had occasion to remark the late increase and present amount of the national debts ; he will have had, as a contrast to this unpleasant survey, to observe the establishment and progress of a fund provided for their redemption ; and he has been cheered by the prospect of a surplus in the publick revenue, and a speedy reduction of the publick incumbrances. With the satisfaction which these fortunate prospects must create in the breast of every Briton, I would now lead him to an examination of the state of the publick credit, and the situation of the Bank of England.

The late depression of the publick funds has, in my apprehension, been erroneously adduced as a proof of distrust and want of confidence in the monied interest. ' Commodities (says Smith, in his Enquiry into the Causes of the Wealth of Nations) ' vary in their price according as the ' demand is more or less than the quantity

'brought to market.' Now if, from any cause, that portion of the floating capital which is accustomed to be employed in speculations in the funds is, for a time, withdrawn to other uses, it follows, that the want of the competition which this capital has been accustomed to create, will materially depress the price of the funds, independent of all distrust or want of confidence; and the sudden fall of their price seems rather to have been caused by these circumstances than by a diminution of credit. The amount of the unengaged capital greatly depends on the liberality of Bank discounts. Now it should be recollected, that at the time the funds fell with such rapidity, that their discounts were unusually limited*. The amount of the unengaged capital also greatly depends on the quantity of unfunded debt, which may be floating in the market for various causes, unite to make these securities a more successful speculation than permanent funds; and it should be recollected, that the unfunded debt at this time was larger than at any other period of the war. If to these two causes we join the course of exchange, which gave a profit of 6s. or more

* By this remark, no censure is intended to be cast on the conduct of the Bank directors, who had undoubtedly good reasons for lessening the amount of their paper; the fact is only noticed to support the argument I am maintaining of the cause of the depression of the funds,

than

than £.28 per cent. on the exportation of every British guinea, and the run which the alarm of an invasion occasioned on the northern banks, and which obliged them, with unusual haste, to convert their stock into specie, and thereby increasing the quantity brought to market, while it decreased the number of purchasers, we shall be rather inclined to attribute the depression of the funds to a want of unemployed capital diminishing competition, than to any portentous distrust in the credit and resources of the country.

The suspension of payments in specie at the Bank is no new æra in the financial history of this country; nor is it pregnant with that ruin which the gloomy prognostics and false representations of Mr. Morgan anticipates. In the year 1783, it appears, by his own acknowledgments, that their proportion of specie was reduced much lower than at present; and if we are to judge of their prosperity by the shifts to which he is reduced, in order to picture their affairs as insolvent, we shall see no ground for alarm or apprehension.

Mr. Morgan has assumed, that the permanent debt owing them by government is a disposable and marketable commodity, in opposition to the known fact, that it is a capital they cannot realize till the expiration of their charter, at which time the government is under an obligation

tion to pay them off at *par*; a true statement of their affairs will then exhibit a surplus of £.3,871,290, instead of a deficiency of £.2,016,510: and, in spite of the misrepresentations of Mr. Morgan, the proprietors have the satisfactory assurance, should the affairs of the Bank be wound up to-morrow, of a bonus of £.35 5 per cent. above the payment of their capital stock. The following table will more perfectly explain this statement.

BANK

BANK ACCOUNT on the 25th of FEBRUARY, 1797.

DEBTOR.

Outstanding debts, including
 $8\frac{1}{2}$ millions nearly for Bank
 notes, two millions for the
 deposits of their different
 customers as a banking
 company, unpaid dividends,
 &c. - - - - - 13,770,390

Stock due to the proprietors,
 supposing them paid at par } 11,642,400

Surplus balance - - -

Accord-

25,412,790

3,871,290

£.29,284,080

CREDITOR.

Temporary advance to go-
 vernment, being antici-
 pations of the land and
 malt, and other votes } 9,964,413

Other affets in money due
 from the East India com-
 pany, bills discounted,
 &c. - - - - - 7,632,867

Permanent advance to go-
 vernment - - - - - 11,686,800

£.29,284,080

According, however, to the foregoing statement, the proprietors are only to be paid their stock at par, which is now selling for an hundred and thirty: this, though a fair representation as to the Bank concern, would occasion a loss to the holders of Bank stock; in the following account, therefore, their stock is allowed at the market price.

DEBTOR.	CREDITOR.
Outstanding demands (p. 57) } 13,770,390 Stock due to the Proprietors, supposing them paid at the market-price of £.130 } 15,135,120	Sundry assets } 29,284,080 (page 57) }
Surplus balance 28,905,510 378,570	
£.29,284,080	

Thus it appears, that if the proprietors were to be paid at par, instead of a deficiency of fifteen per cent. there is a surplus, forming a bonus of £.33 5 per cent. and that, if paid at the market price, which, by the way, they have neither a right to demand nor expect, instead of a deficiency of thirty-five per cent. there is a surplus, forming a bonus of £.3 5 per cent. on each £.100 of stock held by the proprietors, while, at the same time, the creditors of the company are paid their full twenty shillings in the pound of all their demands; where then is the

the truth of the observation, ' that though the
' creditor may receive the whole, the proprietor
' cannot possibly have more than two-thirds of
' the money he has advanced.'

The revenue of the Bank consists of the in- terest of their capital, permanently ad- vanced to government	} 352,502
The interest on their temporary advances	298,932
The interest on one million in the loyalty loan	56,250
Charges of management on the national debt	162,204
Profits on discounting, &c.	160,000
	£.1,029,888
And their expences are, for their } establishment, about - - -	100,000*
Annual dividend - - -	814,968
	914,968
	£.114,920

Their annual surplus then is more than an hundred thousand pounds, after paying the dividend to the proprietors: and yet we are confidently told, that this concern, which has a surplus on its capital of more than three millions, and a surplus of annual profit of more than an hundred thousand pounds, is insolvent bankrupt, and unworthy of credit. Facts, such as these, however, cannot be done away by ' flippant eloquence; ' for it is hardly possible to imagine a greater absurdity, than that of hoping to supply a defi-

* This sum is taken at random, but probably above the truth.

ciency of argument on an arithmetical subject, which admits only of *plain* facts and computations, by ridiculous attempts at oratory and declamation *, ‘ by gross misrepresentations and ‘ perverted statements.’

CONCLUSION.

THE experience of this country has shewn, that a debt, which, at one time, would have overpowered the resources of a nation, may, at another, from its increased agriculture, manufactures and commerce, be scarcely felt as a burthen; and some estimation may be formed of the ability of the country to bear its present incumbrances, by examining whether its resources have kept pace with the accumulation of its debts; and if it should appear that this is the case, its situation will be rather a theme of exultation than a ground for gloomy apprehension; for it is the unrivalled prosperity of its commerce, the unequalled perfection of its manufactures, and the superior value of its land, that has supported the proud pre-eminence of

* See Mr. Morgan’s additional facts.

the British credit ; and whatever shocks it may have received from the alarms of an invasion, or from the want of a circulating medium *, causing an ill grounded distrust, while these foundations of its credit remain uninjured, no cause for serious apprehension exists ; the alarm must vanish as soon as the falseness of its cause is discovered ; for alarm, like the conjured apparition

* The want of a circulating medium has been ridiculed by Mr. Morgan, yet nothing is more certain, than that an increased commerce requires a proportionate increase of circulation ; for if, to conduct a trade of the value of twenty millions, a circulating medium of one million is necessary, an increase to that trade of five millions will require an increase of circulating medium to the amount of two hundred and fifty thousand pounds ; but if, instead of such an increase, a diminution of the circulating medium takes place, then it follows that the trade of such a community must feel *cramped* for want of this medium of exchange. The imports and exports of Great Britain, within these four years, have increased from forty to fifty-three millions, consequently an increase of circulating medium is required to carry on its traffick ; but it appears, that instead of such an increase to its circulating medium, a decrease has taken place in its specie, and a diminution in its paper currency ; to these circumstances then should be attributed that pressure upon commerce which has harassed and dismayed the country ; and, at the hazard of being the butt of Mr. Morgan, and encountering the sneers of his disciples, I will contend, that the difficulties under which the Bank now labours, and the great depression which the funds now experience, is owing to the want of a circulating medium proportionate to its increased commerce.

of a distempered fancy, cannot bear a cool dispassionate examination: confidence too must return; for when alarm has subsided, and it is seen that commerce and manufactures, the supports of credit, are as flourishing as ever, none but the interestedly distrustful will continue to represent the state insolvent.

At no time was the credit of the country reduced so low as at the conclusion of the American war: the amount of the imports and exports were, at an average, but £.22,763,663, having only increased, during seventy years, at the rate of an hundred and ten per cent. whereas its debts had accumulated at the rate of more than four hundred per cent. the spirit of the nation seemed broken with disappointment, and the country was torn with faction, its commerce was at a stand, by being deprived of an extensive and a profitable market *, and futurity seemed big with evil; but the event has shewn, that the resources of the country were not exhausted, and that its spirit was not broken. A few years has since elapsed, during which time its commerce has extended, and its manufactures have multiplied; and its resources have so increased, as to enable it, without a sensible injury, to

* The colonial, or American market, which has lately, by the commercial treaty, negociated under the auspices of Mr. Pitt, been recovered to the country.

contract fresh debts, in the prosecution of a war, on the successful termination of which, depends its honour and prosperity.

During the seventy years preceding the American war, the imports and exports increased only from £. 10,675,699 to £. 22,763,663, or at the rate of an hundred and ten per cent. ; during the last fourteen years they have increased from £. 24,400,294 to £. 53,434,185, or at the rate of an hundred and twenty per cent. * ; a greater increase

* The three first sums are cast on a four years average, but the last is the amount of the exports, as in the ledger of the inspector-general, and the imports are taken at twenty-three millions, but no authentic account of them can yet be obtained from the custom-house, as the importation of goods from the East-Indies are not brought to account until six months after each ship's report ; but I am informed they will most certainly exceed this sum. It is here also necessary to observe, that in the two first sums Scotland is excluded, as, till 1755, there was no office to keep an account of its trade ; the conclusion, however, is not invalidated by this circumstance, as it is excluded from both sums in the first, and included in both sums in the second instance. In order, therefore, to shew the exact comparative situation of the country, I will just state the three averages, and an account of the present progressive state of its commerce.

TOTAL AMOUNT OF THE IMPORTS AND EXPORTS IN

Excluding Scotland.		Excluding Scotland.	
1709 —	10,423,951	1779 —	23,353,921
1710 —	10,306,550	1780 —	23,314,294
1711 —	10,648,774	1781 —	22,498,177
1712 —	11,323,523	1782 —	21,888,263

1779

crease in the fourteen years of Mr. Pitt's administration than for seventy years before *. Its debts, on the contrary, in the former period, increased at the rate of four hundred per cent. or from £.54,145,364 to £.257,213,043, whereas

Including Scotland.		Including Scotland.	
1779 —	24,965,967	1793 —	39,646,897
1780 —	25,219,062	1794 —	49,036,977
1781 —	26,276,954	1795 —	50,007,442
1782 —	23,350,994	1796 —	53,434,185

* Objections have been made to the truth and fairness of the custom-house entries; it has been said that the entries are false, and the valuations erroneous, and that the account is swelled in time of war by clothing and provision for the army, which gives a false glare of prosperity, while in truth the country is impoverished: but though the documents which purport to give valuations of our imports and exports (says Lord Auckland, in his able and unanswerable speech, on the 25th of last May) are necessarily imperfect, still they are sufficient for the present comparison, being drawn from the same data, equally applied to the different periods meant to be compared. Besides it is well known that the inaccuracy of those accounts, so far as it prevails, consists chiefly in stating the general bulk of articles below their real value; the effect therefore of that inaccuracy operating here upon larger quantities, tends to diminish, and not to swell the balance of the valuations which I am opposing to each other; and the clothing and provision going in the king's transports, take no clearances at the custom-houses, and therefore are not included in the account. The ledger of the inspector-general therefore exhibits a just and fair view of the *comparative* state of the commerce of the country, which has increased, and is increasing to an extent unknown in former times.

during

during the last period they have accumulated to only £.359,118,619, or at the rate of forty per cent. It is obvious, therefore, that though our debts have increased, in the prosecution of the just and necessary war, into which the frenzy of French democracy has forced us, that our resources have increased with still greater rapidity.

APPENDIX.

THE budget of the 26th instant obliges me to review my statements, and to give, in some respects, a new cast to several of my tables; though the conclusions I have drawn in the former parts of my work are, instead of being invalidated, strengthened by the measures adopted by the minister on Wednesday.

In order to relieve the market of the pressure of the unfunded debt, and to enable the bank to recommence its payments, a new loan has been contracted, by which the names of the debts are altered, rather than the debt itself materially increased. The terms of the loan must indeed be lamented by every friend of his country, but when it is remembered that £.6 14 per cent, was making by investments of money in the five per cents. we shall not feel inclined to censure a bargain which gave only £.6 7 6 per cent. ; on the contrary, while we lament the necessity of such terms, we must give praise to the minister for those he has procured; terms,

which, taking into consideration the situation of the country, harrassed by a war of greater extent and higher importance than any this country ever engaged in; uneasy under the want of a circulating medium, and dismayed by the situation of Europe, whose fate depends on the firmness and patriotism of the British nation, Mr. Fox himself did not dare to censure.

Many forgetting that in Wednesday's budget was included seven millions of repayments to bank, &c. and more than six millions of LAST year's services, besides providing for extraordinary hitherto left till the subsequent year, and nine hundred thousand pounds *lent* to the Grenada merchants, and which of course will be repaid, that the *real* services of the year 1797, are no more than £.27,600,000, and that of these services, in the ordinary mode of estimates, only £.18,600,000 would have been provided for, have been startled at the sum of forty-two millions *.

Mr. Morgan, I hope, is now satisfied, since the army extraordinaries, which have so much offended him, are previously provided for, while the country has the pleasing assurance, that in case of a peace, the war establishment would be reduced, without any additional expence, and its funded debts would be as follows :

* The exact amount of the supplies were £.42,766,000.

Debts contracted prior to 1793 and now existing	}	£.247,634,961 —	8,583,027
Debts since contracted and now existing in the 3 per cents. consolidated			
The 3 per cents. reduced	- -	11,726,762 —	351,803
The 4 per cents. consolidated		12,208,744 —	488,350
The 5 per cents. consolidated		10,241,031 —	512,052
The 5 per cent. annuities	-	20,250,000 —	1,012,500
Long annuities	- - -	—	269,624
Charges of management	- - -	—	72,814
		£.370,551,569	14,244,872

And the charges on the consolidated fund are :

1. Interest and charges on the national debt	£.14,244,872
2. Sinking fund of 1786	1,761,997
3. One per cent. sinking fund	1,654,408
4. Civil list	900,000
£.18,561,277	

The consolidated fund, with the addition of the new taxes, is £.21,474,179, and as the charges are 18,561,277

the surplus of £. 2,912,902 is applicable to the public service.

In consequence of these alterations, I have corrected my estimates of the future peace establishment; in which I have stated the lottery at only £.200,000, instead of £.250,000, though there is every probability of its producing more than either of these sums, in case of peace; and I have included in the account the £.200,000 hitherto

hitherto voted by the house of commons in aid of the sinking fund, which being an expence dependant on their annual vote, I did not before reckon ; I have also provided in this account for an unfunded debt of five millions, which is as much as in time of peace it is likely to amount to. With these alterations the account will thus stand :

Navy - - -	£.2,382,800	Surplus of the con-	} £.2,912,902
Army - - -	1,863,400	solidated fund	
Ordnance - - -	470,000	Land and Malt	2,558,000
Miscellaneous charges	} 600,000	Lottery - - -	200,000
and addition to the		East-India payments	500,000
half pay lists		Sum formerly pro-	} 155,000
For the unfunded debt	200,000	vided for the in-	
Sinking fund - -	200,000	terest of excheq.	
		bills now paid off	
	£.5,716,200		
Surplus on the peace	} 609,702		
establishment			
	£.6,325,902		£.6,325,902

Notwithstanding the inclusion of several extraneous sums in this estimate, and a diminution in the supposed profits of a lottery, the account exhibits a surplus of more than six hundred thousand pounds, to meet any extraordinary expences, or to aid the operations of the sinking fund.



THE END.



Lately published,
BY THE SAME AUTHOR,
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LETTER
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IN REPLY TO HIS
DECLINE AND FALL
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[PRICE ONE SHILLING.]